



Serving the People of California

CALIFORNIA EMPLOYER

Third Quarter 1997

Earn continuing education credits

Wide variety of topics will be covered at *Tax Talk '97* teleconference

The *Tax Talk '97* one-day educational teleconference is scheduled for broadcast on Tuesday, October 7, 1997. This live annual conference on basic tax law, return preparation, and popular tax topics is specifically geared toward registered tax preparers, small business owners, Enrolled Agents, and Certified Public Accountants.

This year's topics will include:

- Employment and excluded services
- Experience rating system
- Penalties
- General partnerships
- Trusts
- Sales tax
- Alternate filing methods
- Current "hot issues"

Presenters will address questions from conference attendees after the presentation on each topic.

Broadcast via satellite to 24 sites in California, Oregon, and Nevada, *Tax*



Tax Talk presentations cover a variety of current tax issues. EDD's Kim Heacock is shown at last year's telecast.

Talk is jointly sponsored by EDD, the Franchise Tax Board, the Internal Revenue Service, the State Board of Equalization, and the School of Business Administration, California State University, Sacramento.

Attendees may earn up to eight hours of credit toward their continuing education requirement. A discounted fee of \$150

per person, which includes lunch, is available if your payment is postmarked by September 19, 1997. After that date, the tuition fee is \$195 per person.

If you are unable to attend the teleconference, you may participate in a comprehensive home-study course that is available at a cost of \$150. This includes a videotape of the *Tax Talk '97* broadcast, a textbook, and a test for one individual. If you order the home-study course, it will be mailed to you in December 1997.

For more information or to obtain registration materials, please contact:

Tax Talk
P.O. Box 520
Rancho Cordova, CA
95741-0520
Telephone: (916) 845-7070
Fax: (916) 845-5047

Hearing impaired individuals may call (800) 735-2929 (TDD).

New approach to audits saves employers time

A common reason a business could be selected for an employment tax audit is



to verify that individuals who are issued Internal Revenue Service 1099 forms are

correctly classified as independent contractors.

In a new approach aimed at conducting audits as efficiently as possible, we may contact you by telephone to attempt to

resolve as many 1099-related issues as possible prior to the actual audit.

When you are contacted, we will ask you questions about the services performed and/or the nature of the payments reflected on the 1099s. In addition, we may need to contact the individuals who received the 1099s for additional information.

The advantage of this new approach is that it can significantly reduce the time required for the audit, or eliminate the need for the audit if it is determined that there are no misclassified wages.

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Employee advances—when should they be taxed and reported?

Advances paid by you to your employee(s) are included in the definition of wages, and therefore are taxable as wages. Advances are considered taxable when the advance is actually or constructively paid (rather than when you charge the advance against later earnings for services in employment).



This means that you are required to withhold California Personal Income Tax (PIT) and State Disability

Insurance (SDI) from an advance the day the advance is actually or constructively paid.

Advances should be reported in the quarters they were paid. For example, "XYZ Company" gives "Bob," an employee, a \$100 advance on September 26, 1997. Bob's next payday is October 3, 1997. XYZ Company is required to withhold PIT and SDI from the \$100 advance on September 26, 1997, and

to report the advance on their third quarter of 1997 payroll reports.

It would be *incorrect* for XYZ Company to withhold PIT and SDI from the \$100 advance on October 3, 1997. It also would be *incorrect* for XYZ Company to report the \$100 advance on their fourth quarter payroll reports.

In this case, XYZ Company will report and pay Unemployment Insurance and Employment Training Tax on the \$100 advance on their third quarter reports.

Tax Days offer resources and workshops for small businesses

In partnership with a variety of local, state, and federal tax agencies, EDD's Tax Branch is sponsoring *Small Business Tax Days* in the cities of Fullerton, San Diego, and Riverside.

These three events will provide small businesses with a unique opportunity to access the services and resources of

numerous governmental agencies at a single location. *Small Business Tax Days* also will offer free tax seminars and counseling to help you avoid common tax pitfalls and costly mistakes. Knowledgeable staff from the participating agencies will be on hand to answer your questions and provide you with resource literature.

There is no charge for participants, but you will need to make reservations if you plan to attend *Tax Days* in Fullerton (see phone number below). For the San Diego and Riverside locations, no reservations are required. *Tax Days* will be offered as follows:

TAX DAY LOCATION	DATE & TIME	FOR MORE INFORMATION
Fullerton: CSU, Fullerton	September 27; 9 a.m. - 3:30 p.m.	(714) 558-6751 (after September 10)
San Diego: Point Loma Nazarene College	October 4; 9 a.m. - 3:30 p.m.	(760) 744-1330, Extension 410
Riverside: California Tower	October 25; 8:30 a.m. - 3 p.m.	(909) 680-6705

When are employer-paid taxes considered additional wages?

As a general rule, if you pay one or both of your employees' Federal Insurance Contributions Act (FICA) or State Disability Insurance (SDI) taxes, without deductions, you should treat those payments as additional taxable wages for Unemployment Insurance (UI) and Employment Training Tax (ETT), as well as SDI and California Personal Income Tax (PIT) withholding.

Normally, household or agricultural wages are not subject to PIT withholding. However, if both you and your employee agree to withhold PIT, the SDI that you pay, without withholding, should be treated as additional wages and is subject to PIT withholding.

If you have questions about employer-paid employment taxes or wish to

request the information sheet on this subject, *Employee FICA/SDI Taxes Paid by Employer* (DE 231Q), please contact your local Employment Tax Customer Service Office.

If you are an out-of-state employer, please contact our Sacramento Employment Tax Customer Service Office at (916) 255-1965.

Domestic and Agricultural Services

If you pay your household or agricultural employees' Social Security taxes, you should not treat the employees' share as additional wages for UI and SDI. If you pay your employees' share of SDI taxes, the amount should be included as additional UI and SDI taxable wages.

Visit the new Tax Forum on the Internet

A new addition to EDD's Internet site is the *Tax Forum*, which provides samples of EDD tax forms and publications that are currently in development or being revised. The *Forum* also offers you the opportunity to give us feedback on these samples, or to send us your suggestions

on how we can better serve you. To view the *Tax Forum*, go to EDD's Home Page (at <http://www.edd.cahwnet.gov>), click on "For Employers," and then click on "Tax Forum." For more information, please contact Angie Tellefson at (916) 654-8541.

Help us to protect your Unemployment Insurance contribution rate

In an effort to identify Unemployment Insurance (UI) claimants who were paid UI benefits while receiving wages, EDD cross-matches wages reported by employers with UI benefits claimed.

When a claimant for whom you have reported wages is identified, EDD will send you a *Benefit Audit* form (DE 1296B) requesting specific wage information.

It is to your advantage to return this form. If the claimant was working while drawing UI benefits, an overpayment may be established that could result in a credit to your reserve account.

A new process has been implemented to provide you with a replacement form if the original DE 1296B is not returned.

If an overpayment is established and your reserve account is credited, this could potentially lower your UI rate. Reimbursable employers receive a credit to their account only after the overpayment is collected.

If you do not return the *Benefit Audit* form promptly, we may not be able to take the steps necessary to protect

your UI reserve account, which in turn could adversely affect your UI contribution rate in the future.



If you would like more information about the Benefit Audit Program or need assistance in completing a *Benefit Audit* form, please contact:

EDD - Overpayment Program
Group, MIC 16A
P.O. Box 3038
Sacramento, CA 95812-3038
Telephone: (916) 464-2350
Fax: (916) 464-2550

Governor's initiatives will help welfare recipients transition to work

Governor Pete Wilson recently released the report of his Welfare-to-Work Jobs Action Team and has proposed a number of budget revisions to carry out the Team's recommendations.

The Team—which included high-level business leaders from a broad cross-section of California businesses, as well as educators, service providers, and local government officials—developed recommendations to increase employment opportunities for the several hundred thousand welfare recipients who must make the transition to work in the near future.

The Team focused on several major areas, including job creation, removing barriers that keep employers from hiring welfare recipients, developing better local workforce preparation systems, and improving job matching activities.

Recommendations addressed such issues as improving California's business climate, making new investments in infrastructure to encourage job growth, using temporary help agencies to assist recipients in gaining work experience, protecting employers from the costs associated with early terminations, meeting the need for child care, coordinating local agencies, and involving employers in local work force preparation systems.

Acting on the Team's findings, the Governor proposed \$440 million in welfare-to-work initiatives, including \$277 million for child care; \$18 million for CalJOBS, an Internet-based job matching system to be used by county welfare departments and other agencies statewide; \$95 million for job training, education, and economic development programs directed to welfare recipients; and \$50 million to capitalize the California Infrastructure and Economic Development Bank.

The Governor also proposed reducing the Bank and Corporations Tax by 10 percent over two years.

Staff of the Governor's Office, the Trade and Commerce Agency, and the Health and Welfare Agency are addressing the need for greater collaboration among local agencies, a greater role for welfare agencies in work force preparation, simplified access to government services for both job seekers and employers, and strong local leadership from business and economic development agencies in work force preparation programs.

Over the next few months, the Governor will highlight the Team's recommendations and the actions being taken to implement them, and will continue to involve the private sector in creating an effective welfare-to-work system in California.

Deposit requirements for 1998 will remain the same as this year

For calendar year 1998, the state threshold for Personal Income Tax (PIT) withholdings will be \$400, the same as for calendar year 1997.

Employers who meet federal deposit requirements for withheld income taxes must remit both State Disability Insurance and PIT withholdings to EDD on the DE 88 form if they also meet the \$400 PIT threshold. State deposits are generally due at the same time as federal deposits.

For further information, please refer to pages 31-34 in your *California Employer's Guide* (DE 44), or contact your local Employment Tax Customer Service Office.

Check the *California Employer's Guide* or the State Government section of your telephone directory under "Employment Development Department" to find the nearest office.

Tips for trouble-free EFT transactions

If you pay by Electronic Funds Transfer (EFT) through the Automatic Clearing House (ACH) credit method, the following tips will help assure that your EFT payments are processed and posted to your account quickly and accurately:

- Before you make your first payment by EFT, complete and file an *EFT Authorization Agreement* form (DE 26).
- Be sure to report under your EDD employer account number, which is eight-digits (for example, 111-1111-1).
- Report payroll dates in the "Year, Month, Date" (YYMMDD) format. For example, October 28, 1997, should be reported as 971028.
- Use the tax type codes to identify the payments (as indicated in the box at right).
- Be sure to identify what quarter the Unemployment Insurance (UI) and Employment Training Tax (ETT) payments are for by using the YYMMDD format. For example, the fourth quarter 1997 payment of UI and ETT would be 971231.
- Use separate transaction codes for the different types of payments (see box).
- Double check your payments reported to us with your records to ensure that they are correct. This will avoid problems later with balancing your payments.

TAX TYPE CODES	DEPOSIT/PAYMENT TYPE
UI/ETT:	
01300	Quarterly Payment
SDI/PIT:	
01100	Semi-weekly
01101	Monthly
01102	Next bank day
01104	Quarterly
Penalty & Interest:	
20000	Penalty & Interest

- Notify your bank in time to assure the EFT transmission is received timely.

To request an *EFT Information Guide* (DE 27), an *EFT Application* form (DE 26), or more information on EFT, please contact: EDD, EFT Unit - MIC 15, P.O. Box 826880, Sacramento, CA 94280-0001, telephone (916) 654-9130.

An update on the transition to filing for UI benefits by telephone

As reported in previous issues of *California Employer*, the conversion from filing Unemployment Insurance (UI) claims in-person with EDD to filing by telephone is continuing in scheduled phases. The EDD tested Telephone Claim Filing (TCF) for two years before expanding the service statewide.

Prior to beginning the conversion to TCF in each area, EDD is notifying major local employers so they may inform their employees of this change at the time of layoff or discharge.

After the transition to TCF, employers can continue to place job orders with EDD by calling their local Job Service office. (The number is listed in the State Government section of your telephone directory under "Employment Development Department, Job Service," or check the Internet at "<http://www.edd.cahwnet.gov/jsloc.htm>.")

All UI recipients will continue to register for work through their local EDD Job Service office.

The transition to TCF is part of EDD's Strategic Plan, which is designed to make its UI services more accessible to the public, while reducing administrative costs. In addition, UI recipients report that TCF saves them time and money, allowing them to concentrate their efforts on becoming reemployed.

Employment Tax Information

General Information or Requests for Tax Forms (25 copies or less)	Contact your nearest Employment Tax Customer Service Office	Offers in Compromise	(916) 464-0646 Fax: (916) 464-2077
Forms Requests (more than 25 copies)	(916) 322-2835 Fax: (916) 327-9171	Registration for an Employer State ID	(916) 654-7041 Fax: (916) 654-9211
Electronic Funds Transfer	(916) 654-9130 Fax: (916) 654-7441	Tax Rates and Benefit Charge Information	(916) 322-0507
Magnetic Media Reporting	(916) 654-6845 Fax: (916) 654-7441	Underground Economy Operations Center	(916) 464-1075 Extension 299 Fax: (916) 464-1020
Alternate Forms Coordinator	(916) 654-9814 Fax: (916) 657-4949	Office of the Taxpayer Rights Advocate	(916) 654-8957 Fax: (916) 654-6969
New Employee Registry	(916) 657-0529 Fax: (916) 653-5214	EDD on the Internet:	http://www.edd.cahwnet.gov

California Employer

This newsletter is published quarterly by California's Employment Development Department (EDD) of the State Health and Welfare Agency, and is distributed with tax forms to all employers who are subject to the provisions of the California Unemployment Insurance Code.

The EDD is an equal opportunity employer/program and is subject to Section 504 of the Rehabilitation Act and the Americans with Disabilities Act. To obtain information about accommodations for disabilities, contact your local EDD office, listed in your telephone directory under "State of California, Employment Development Department." TDD users can reach EDD through the California Relay Service at 1-800-735-2929.

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Produced by the EDD Office of Marketing and Constituent Services, MIC 84
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Vol. 50, No. 3